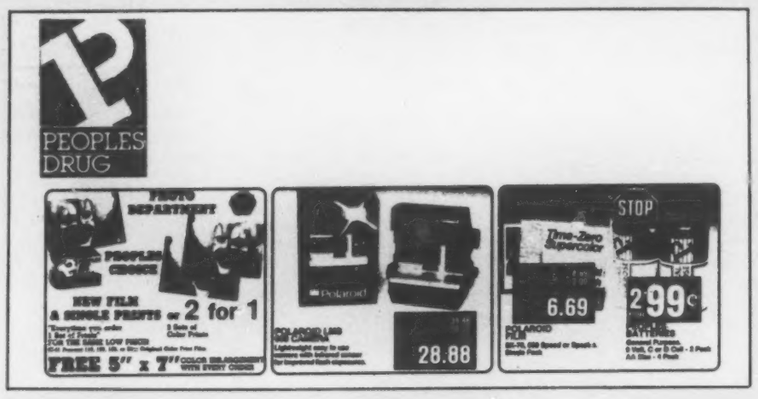
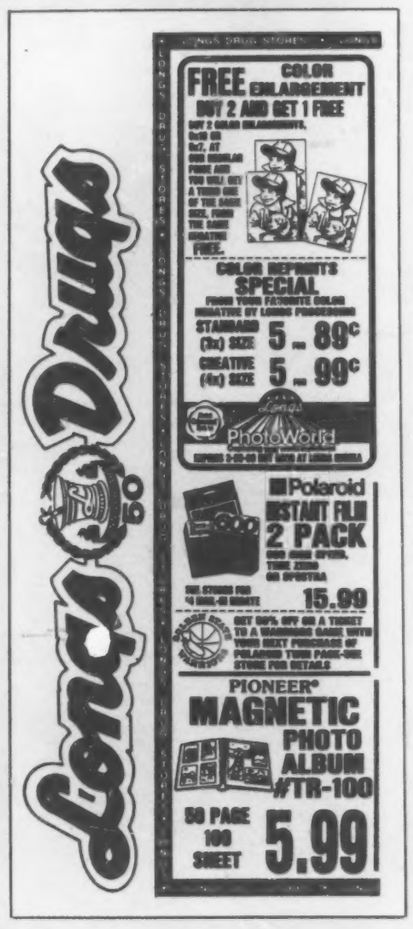
Drug chains' photo product ad strategies



Ceiling signage draws traffic into the photo department in this Woodland, Calif., Raley's.



*Based on a comparison of highest mentioned competitive brand of light bulbs. Don't know-non-preferred—26%. Conway/Milliken Research-1987.

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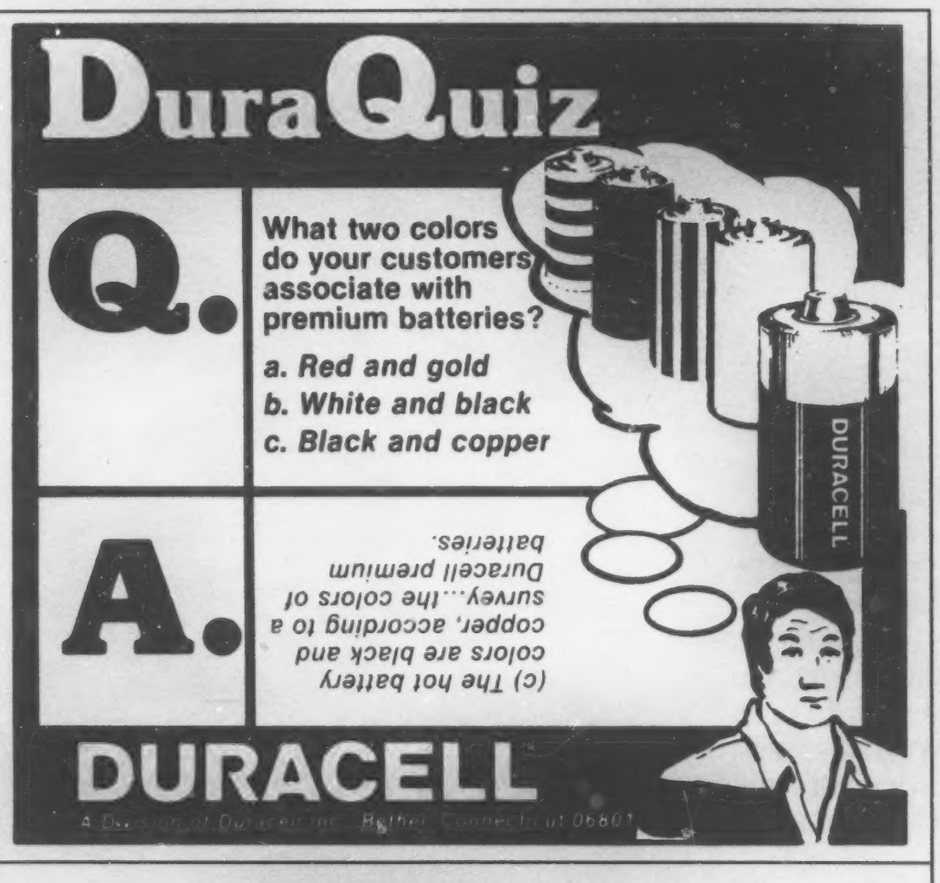
GE Lighting


DuraQuiz
Q.
What two colors do your customers associate with premium batteries?
a. Red and gold
b. White and black
c. Black and copper
A.
(c) The hot battery colors are black and copper, according to a survey...the colors of Duracell premium batteries.
DURACELL

Chains board the mini-lab bandwagon

Continued from page 14

PMA notes, "Mass merchandisers who offer on-site processing point out the service's strengths in drawing a higher-profile clientele and increased cross-merchandising potential—strengths not easily quantifiable under DPP."

Drug chains seeking to expand their range of photofinishing services with one-hour, on-site labs or other means may also be encouraged by the continuing growth of the whole photo market. Amateur shutterbugs clicked off more than 15 billion exposures in 1987, nearly 70 percent of which were 35mm and 13.3 billion of which were color negatives.

The increasing inroads of supermarkets in photoprocessing may also be an impetus for drug retailers to up their own efforts. Many food retailers have added full-scale photo service centers to at least some of their stores, and one, King Soopers in Denver, has become the first supermarket chain to set up its own processing plant. Others, including Safeway and Publix, are installing in-store labs in some units.

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Ample variety, competitive prices and a display area that allows for comfortable browsing help build tape rental business at Raley's, Woodland, Calif.

Chains' experimentation spurs profits for prerecorded videos

Prerecorded videotapes have continued to inspire experimentation among drug chains, which are testing the relative values of renting vs. buying inventory, pricing philosophies, and what level of assortments are needed.

With their multiple locations and quick shopping slant, drug chains, as well as supermarkets, convenience stores and mass merchandisers, have gained successes in prerecorded tapes, as a highly-fragmented retail market undergoes a shakeout and consolidation.

"Mom and Pop" specialty stores and smaller specialty chains—their profitability battered as tape prices head down—are being absorbed by the larger ones.

Specialty stores accounted for 50 percent of prerecorded videotape unit shipments in 1987. Drug stores accounted for 2 percent, according to EBM Market Research estimates.

Rite Aid's home video business has continued to grow. More than half the chain, or 1,013 stores now have video departments, with about 1,000 titles per store, and new departments will be rolled out "at a measured pace," a spokesman said.

Chains including Genovese and Richardson's Pharmacy, in Ann Arbor, Mich., have recently followed Rite Aid's lead in owning videotape inventory.

Genovese purchased inventory for 50 stores, and rolled out a program of selling prerecorded tapes last month. Each store carries 47 titles, said buyer Lenny Genovese.

Specialty stores still control half the prerecorded videotape market

(percent share, units shipped in 1987)

Type	Share
Video specialty	50
Mass merchants	11
Record stores	9.5
Book stores	9
Convenience/ grocery	7
Direct mail	6.5
Toy stores	3
Drug stores	2
Appliance	2

Source: EBM Market Research estimates, the Photo Marketing Association.

"With the prices of videos coming down, people are starting their own libraries," said Genovese.

Tapes—priced from $4.95 to $29.95—will be in 4-foot racks with self-service Plexiglass doors at a front end location to allow oversight by checkout clerks.

Genovese will discount top titles to compete with outlets that are discounting, such as convenience stores and mass merchandisers, and recover margins on non-promotional stock.

A five-store chain, Richardson's recently bought tape inventory for one store, feeling it could maintain a more current selection than by renting.

"We felt if we have enough good titles, it will be cost efficient," said buyer Jim Decker, who plans to build an initial 175 title stock to 300.

Richardson's had been renting inventory from a video store chain, but felt the titles weren't fresh.

Decker expects the new program to boost profits as well as be a good traffic draw. (Tapes are along 16 feet of wall, with the title covers in 4-foot trays, and the tapes behind the counter.)

Decker felt the better selection would allow his chain to raise prices. Once at $1.99, with 99 cents for the second (matching convenience stores' prices), videos were raised to $2.49 and $1.99 for the second, just under what local specialty stores charge, Decker said.

Despite Richardson's approach, the trend with drug stores has been toward lower pricing, and heavily promotional activity, particularly at Christmas time.

Deep discounters such as Phar-Mor often lead the price charge in their markets. Phar-Mor is known for its 69 cents a night rental price.

Drugs Plus, the first deep discount store opened by Cullum Companies, owner of Page Drugs, recently unveiled an extensive video rental department in Dallas.

It is set in a separate shop, with its own checkout, and quickly accessible through one of two of the stores' front doors. Carrying 6,000 titles, it should rent 4,000 to 5,000 a week at its 93 cents-a-night price, a store official said.

Austin Drugs in Long Island, N. Y. has carved a successful business selling prerecorded videos. Chain sales increased when it began using a rack jobber who provided fresher titles, at $5.99 to $29.99.

"It seems like the more I put in, the more I sell," said buyer Pete Rienzi.

Encountering problems with keeping fresh titles, and meeting competitors' prices, Gresham Drugs of Florida cancelled an experiment in the movie video business. But it has since scored well with prerecorded audiocassettes, particulary at Christmas, said Manny Meneses, buyer.

Gresham will sell though a 180-piece per store inventory of musical recordings, and is studying the possibility of making permanent sections.

A *Drug Store News* exclusive

Vereen ad tracking

The Vereen Ad Survey tracks 100 percent of the advertising activity for 40 product categories in the top 30 drug store chains.

March: Videotapes

Brand	Model	Advertised price	Chain
BASF	VHS T120	$3.99	Eckerd
BASF	VHS T160	4.99	Eckerd
Certron	VHS 2 pk	5.99	SupeRx
Certron	VHS T120	5.99	SupeRx
Congress	VHS	4.44	Osco
Dyna-tone	VHS	2/5.00	Pay Less
Fuji	Super high grade VHS T120	4.69	Drug Emporium
Fuji	VHS T120	2/7.00	Drug Emporium
Fuji	High quality	3.49	Longs
Fuji	Super HG VHS	4.49	Longs
Fuji	T120 VHS	3.49	Longs
GE	VHS	3.49	Pay Less
Hi-tech	VHS T120	2.59	Dunaway
Kodak	VHS T120	3.49	Drug Emporium
Kodak	Beta/VHS L750/T120	3.49	Hooks
Kodak	Beta/VHS L750/T120	3.49	Osco
Kodak	T120 3 pk	9.98	Phar-Mor
Laster	VHS T120	3.49	Fay's
Maxell	Hi grade VHS T120	4.99	Walgreen's
Maxell	Ex VHS T120	3.97	Revco
Maxell	Beta/VHS L750/T120	5.99	SupeRx
Maxell	Ex VHS T120	3.97	Revco
Maxell	3 pk	11.97	Genovese
Maxell	VHS T120	3.99	Eckerd
Memorex	Hi stand	3.66	Pay Less
Memorex	Pro VHS T120	4.99	SuperD
Memorex	HS/VHS T120	3.99	Peoples
Memorex	HST-120	3.49	Osco
Memorex	VHS	3.49	Osco
Memorex	HST-120	3.49	SavOn
Polaroid	VHS T120	3.37	Thrift
Polaroid	VHS T120	3.99	Snyder
Polaroid	Beta/VHS L750/T120	4.44	Reed
Polaroid	Beta/VHS L750/T120	3.59	SupeRx
Polaroid	VHS T120	2.37	Thrift
Polaroid	VHS T120	3.99	Medicare
Polaroid	VHS T120	3.49	Longs
Polaroid	VHS T120	4.00	Walgreen's
Scotch	VHS T120-3 pk	9.99	Walgreen's
Scotch	VHS T120	3.99	SuperD
Scotch	EG T120-2 pk	6.98	CVS
Scotch	EG VHS T120	2/7.00	Revco
Scotch	T120	5.99	Pathmark
Scotch	Beta/VHS L750/T120	3.49	Brooks
Scotch	Beta L750	3.49	Osco
Scotch	VHS T120	3.49	Osco
Sony	8mm	8.99	Walgreen's
Sony	VHS T120	3.66	Peoples
Sony	Metal mpp 8mm	4.99	Walgreen's
Sony	Beta L750	3.49	Osco
Sony	VHS T120	3.49	Osco
TDK	VHS T120	4.99	Dunaway
TDK	Compact VHS TC20	5.99	Walgreen's
TDK	Hi grade T120	4.99	Longs
TDK	Stand T120	3.99	Longs
TDK	VHS T120	3.99	Walgreen's
TDK	Stand T120	3.99	SupeRx
TDK	VHS T120	3.59	SupeRx
Tozaj	Premium T120	2.99	Walgreen's

Source: Vereen & Associates, Inc.

Manufacturer promotions of branded blank videotapes earn prime countertop display space and drive fast turns at Page Drugs in Dallas.

Convenience aspect is key to drug chains' blank tape sales

Drug chains are making beautiful music with blank audio and videotapes.

With strong branded assortments, and competitive pricing on blank tapes, many chains have become well positioned to lure the convenience-minded shopper.

"The convenience aspect is a key selling feature. People are getting used to buying them everywhere, and the drug store chain is growing quickly as an outlet," said Brad Friedrich, Fuji's director of marketing, magnetic products division.

Some drug chains reported that blank videocassette sales flattened in 1987, paralleling an industry trend of decelerated growth.

Industry sources estimate blank videocassette manufacturers' shipments were up only 5 percent in 1987. This compares with 35-percent growth from 1985 to 1986, and 90-percent growth from 1984 to 1985.

Retail takeaway in 1987 was up 5 to 6 percent.

Sliding sales of table model videocassette recorders contributed to the slowed blank tape growth. After steady sales growth through the 1980s, unit sales declined 2 percent from 1986 to 1987. Industry officials tend to agree the market is approaching saturation with 50 percent household penetration.

Audio tapes, by comparison, saw a growth spurt of 9 to 10 percent in 1987, which was abetted by wider distribution through retail channels, according to one industry source. Several buyers said audio tape sales have been boosted at their chains by a trend of persons using them to tape music off compact disks.

Rite Aid is among chains that have recently experienced some flattening of sales in the blank videocassette category, a spokesperson said.

It carries Scotch, Memorex and Gemini brands in all stores, with TDK and Maxell brands filling out the assortment in some stores.

Tapes are in in-line peg displays. Plus, in Rite Aid's stores with prerecorded videocassette departments, secondary displays of blank tapes are set up near the rental counter.

Gresham Drugs puts tapes in a 4-foot section, with the Maxell, Polaroid and Fuji brands, and a Hi-Tech generic line, which has been quite successful at $2.99 against the brands' $4.99, said buyer Manny Meneses.

Audio tapes saw a growth spurt of 9 to 10 percent in 1987, abetted by wider distribution through retail channels. Several buyers said sales have been boosted by persons using them to tape music off of compact disks.

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March: Audio Tapes

Brand	Model	Advertised price	Chain
3M Scotch	BX90 three pack	$3.49	Pay Less
Altech	3 pack-90 min.	1.49	Eckerd
Avanti	C-90 2 pack	.88	Longs
BASF	LH-Extra 2 pack-60 min.	1.59	Eckerd
Certron	3 pack-60 min 2 pack-90 min.	2/1.29	SupeRx
Dyna-tone	5 pack	1.49	Pay Less
Laser	UHD II-2 pack	2.49	Begley
Laser	C-60 3 pack/C-90 2 pack	2/1.69	Dunaway
Maxell	2 pack-60 min.	1.99	Pay Less
Maxell	2 pack-90 min.	2.29	Pay Less
Maxell	2 UDS II 60/ 2pack-60 min.	3.49	Bartell
Maxell	UR-60 2 pack	1.99	SuperD
Maxell	UR-60/UR-90/3 pk/2 pk	2.99	Walgreen's
Maxell	Low noise UR 60 2 pk/60 min.	1.68	Osco
Maxell	UR90 2 pk	2.59	SuperD
Maxell	Normal bias UR90 2 pk-90 min.	1.88	Osco
Maxell	XL-II/2 pk-90 min.	3.99	Walgreen's
Maxell	XL-II/2 pk-90 min.	4.99	Peoples
Maxell	UDS II 90/10 pk	13.99	Genovese
Maxell	2 pk-90 min.	2.49	Longs
Maxell	Normal bias/2 pk	1.99	Longs
Memorex	2pk-60 min.	2/5.00	Snyder
Memorex	Microcassette/MC-60/2 pk	4.99	Pay Less
Sony	HF-90/2 pk	1.99	Brooks
Sony	3MC-60/3 pk	5.99	Osco
Sony	HF-90/4 pk	5.00	Walgreen's
Sony	HF-60/3 pk	2.37	Osco
Sony	HF-90/2 pk	2.37	Osco
Sony	UX-S 90/2 pk	4.59	Eckerd
TDK	2 pk/3 pk	2.99	Walgreen's
TDK	C-D90/2 pk	2.99	Walgreen's
TDK	High bias SA/60-min.	4.59	Longs
TDK	High bias SA/90-min.	5.59	Longs
TDK	Normal bias D/60-min.	2.29	Longs
TDK	Normal bias D/90-min.	2.89	Longs
TDK	2 pk/60 min.	2.29	Longs
TDK	2 pk/90-min.	2.89	Longs
TDK	SA-90/2 pk	4.00	Walgreen's
Tonemasker	60-min.	3/1.00	Walgreen's

Source: Vereen & Associates, Inc.

VCR sales slow as market matures

(units in millions, dollars in billions)

Year	1984	1985	1986	1987
Units	6.7	10.7	11.8	11.6
Dollars	$2.89	$3.77	$3.89	$3.39

Source: Electronic Industries Association

"We sell as many generics as branded when we have a sale," with branded at three for $10, and Hi-Tech at two for $5, said Meneses.

Steve Riensi, buyer at Austin, feels he has balanced his assortment of blank videotapes, so as not to carry too many brands and simply trade sales.

Austin includes Kodak and Polaroid because of those names' strong recognition in drug stores. TDK, Scotch and Maxell fill out the assortment.

Audio tapes have been "a real sleeper of an item" whose sales have boomed, corresponding with blank video sales. Austin recently launched permanent in-line sections for audio tapes.

Lenny Genovese at Genovese Drugs said that youngsters using audio tapes to copy music from compact disks is driving strong sales of his selection of Maxell and Scotch tapes, on which he gets 20-percent margins on ad, and 35 percent everyday.

Sales of VHS format blank video cassettes climb

(manufacturers' unit sales in millions)

	1980	1982	1984	1986	1988
VHS	12.8	[illegible].4	122.0	231.3	312.7
Beta	6.1	11.2	35.9	42.9	34.1

Source: International Tape/Disc Association and the Photo Marketing Association

Battery advertising strategies of chain drug stores

Drug chains advertise coupons and in-store rebates for batteries in circular and run-of-press ads, and feature the promotional SKUs on circulars' fronts and backs for best exposure. K&B recently featured its store brand in a one-page "spring sale" ad.

Battery prices in drug chain ads, March '88

Brand	Model	Advertised price	Chain
Duracell	1 pk-9 vt	$1.99	Drug Emporium
Duracell	2 pk-C or D; 1 pk-9 vt	1.89	Dunaway
Duracell	2 pk-9 vt	3.59	Pay Less
Duracell	2 pk-AA, C, D; 1 pk-9 vt	.99	Snyder
Duracell	4 pk-AA	2.29	Peoples
Duracell	4 pk-AAA, AA	1.99	Rite Aid
Duracell	2 pk-AA	1.59	Thrift
Eveready	4 pk-AA	2.49	Thrift
Eveready	4 pk-AA	1.89	Happy Harry
Eveready	4 pk-AA	1.99	Thrifty
Eveready	2 pk-9 vt	.99	Longs
Eveready	2 pk-AA	1.09	Phar-Mor
Eveready	2 pk-C or D; 1 pk-9 vt	1.87	Revco
Eveready	2 pk-C or D; 1 pk-9 vt	1.99	SuperD
Eveready	2 pk-C or D; 1 pk-9 vt	1.59	Bartell
Eveready Energizer	9 vt	1.59	Osco
Eveready Energizer	9 vt	1.79	Medic
Eveready Energizer	4 pk-AA	1.99	Thrifty
Eveready Energizer	4 pk-AA	2.29	Longs
GE rechargeable	2 pk-AA, A, C, D 1 pk-9 vt	4.99	Osco
GE rechargeable	2 pk-AA, C, D 1 pk-9 vt	6.99	Eckerd
Kodak	1 pk-9 vt	3.49	Walgreen's
Kodak	4 pk-AA	2.39	Dunaway
Kodak Supralife	4 pk-AA, AAA	2.00	Walgreen's
Rayovac	8 pk-AA	3.99	Thrifty
Rayovac	6 pk-C, D	3.99	Thrifty
Treasury	1 pk-9 vt	1.29	Thrift
Treasury	4 pk-AA	1.49	Thrift
Treasury	2 pk-AAA	.99	Thrift

Source: Vereen & Associates, Inc.

At Page Drugs in Dallas, Duracell, Energizer and Kodak battery brands are pegged on an endcap to snare impulse sales and appeal to shoppers who prefer different brands.

Drug Emporium uses manufacturer displays and point-of-purchase materials to take advantage of name recognition in batteries and flashlights.

6/20/88

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- Nielsen sales and share trends
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NOTE

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